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Independent State Entities

# RESULTS OF RECENT AUDITS

NOVEMBER 14, 2017



Office of the State Auditor  
**State of Utah**

# Entities Audited

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- Utah Communications Agency
- Utah Dairy Commission
- State Fair Corporation
- Heber Valley Historic Railroad Authority
- Military Installation Development Authority
- School & Institutional Trust Fund Office
- School & Institutional Trust Lands Administration
- Utah Energy Infrastructure Authority
- Utah Housing Corporation
- State Railroad Museum Authority



# Audits Performed

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- Financial Activities
  - Internal Controls
  - Credit Card Policies and Procedures
  - Financial Statements
- Governance
- Transparency



# Internal Controls

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- Processes put in place by the governing board, management, or others
- Provide consistent and efficient operation
- Reasonable assurance that public funds will be properly safeguarded



# Separation of Duties

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- Separating certain responsibilities so that no one person has the ability to improperly use money without detection



# Inadequate Internal Controls

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- Inadequate separation of duties:
  - Bank reconciliations
  - Cash receipts
  - Payroll disbursements
- Inconsistent application of procurement & disbursement policies
- Lacked purchasing policies & procedures



# Inadequate Financial Oversight

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- Inadequate internal control over credit cards
  - Insufficient training on credit card use
  - Inadequate review of credit card purchases
  - Improper credit card purchases
  - Excessive issuance of credit cards
  - Untimely cancellation of credit cards
  - Increased risk by using credit cards versus p-cards



# Purchase Card (P-Cards)

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- P-cards can provide
  - Greater transaction-level detail
  - Transaction spending limits
  - Merchant category restrictions





# Inadequate Financial Oversight

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- Improper recording of employee gifts
- Inadequate internal controls over financial statement preparation
- Misunderstanding of state oversight



# Governance Concerns

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- Inadequate oversight of financial management
- Insufficient accounting policies & procedures
- Inadequate internal controls over credit cards



# Lack of Adequate Transparency

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- Various noncompliance concerns regarding Open & Public Meetings Act (OPMA)
- Increased financial transparency could occur by reporting to the Utah Public Finance Website (UPFW)
- Various noncompliance concerns regarding posting of meeting notices
  - Posted to Utah Public Notice Website (UPNW)
  - Met 24-hr requirement
  - Date, time, and location information



# Lack of Adequate Transparency

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- Various noncompliance with minutes & recordings
  - Posted minutes to UPNW
  - Posted minutes within 3 days of approval
  - Posted recordings to UPNW
  - Posted recordings within 3 business days
  - Recorded votes
  - Recorded attendance
  - Recorded date, time, and location information



# Key Takeaways

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## **Independent Entities Typically Need More Not Less Oversight & Assistance**

- Weaker board oversight, deferential to day-to-day management
- Typically lack of policies and procedures
- Often lack of clarity regarding individual responsibilities
- Small size creates challenges regarding separation of duties



